



**Connecticut Department of  
Energy & Environmental Protection**  
Bureau of Materials Management & Compliance Assurance  
Engineering & Enforcement Division

## ***Environmental Program Fact Sheet***

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### **ANNUAL INFLATION FACTOR CALCULATION GUIDANCE**

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Use this guidance if you are making an annual adjustment of your cost estimate to account for inflation and you choose to do so by using an inflation factor. The option to completely recalculate the cost estimate is not covered here. Annual inflationary adjustments should be determined using the most recent Implicit Price Deflator ("IPD") for Gross National Product ("GNP") as published by the U.S. Department of Commerce ("DOC"). Please note that IPD's are updated at least twice per year in March and July.

**Step 1** – Adjust cost estimate within 60 days of: 1) anniversary date of the financial assurance instrument; or 2) 30 days of the end of your fiscal year [40 CFR 264.142, .144 or 40 CFR 265.142, .144].

**Step 2** – Go to the DOC Bureau of Economic Analysis' web site to find the tables referenced below. This web site is [http://www.bea.gov/newsreleases/national/gdp/2016/txt/gdp4q15\\_3rd.txt](http://www.bea.gov/newsreleases/national/gdp/2016/txt/gdp4q15_3rd.txt)

**Step 3 (Option A)** - Look to Table 6 titled "Price Indexes for Gross Domestic Product for current and previous year's annual price indexes for GNP Implicit Price Deflators. [Note: Do not use seasonally adjusted figures for adjusted cost estimates].

- Calculate inflation as a % using this formula:  $100 \times (\text{current year price index} / \text{previous year price index}) - 1$

**Example for percent change to 2015 from 2014:**

$$100 \times ((109.868 / 108.800) - 1) = \mathbf{1.0\%}$$

- Calculate inflation factor using this formula:  $(\text{current year price index} / \text{previous year price index})$ .

**Example 2015 inflation factor**

$$(109.868 / 108.800) = \mathbf{1.010} \text{ (rounded to nearest one thousandths)}$$

**Step 3 (Option B)** – Look to Table 4 titled "Price Indexes for Gross Domestic Product and Related Measures: Percent Change from Preceding Period" for current GNP Implicit Price Deflator.

**2015 Implicit Price Deflator for GNP = 1.0%**

**Step 4** – To adjust the cost estimate in current dollars, multiply the estimate by inflation factor (or reported percent change, and then add it last's years cost estimate).

**Example Calculations** (assume newly adjusted cost estimate is \$350,000):

$$\begin{aligned} \$350,000 \times 1.0\% &= \$3,500 + \$350,000 = \$353,500, \text{ OR} \\ \$350,000 \times 1.01 &= \$353,500 \end{aligned}$$

**Step 5** – Document all calculations used to derive the newly adjusted cost estimate and submit to DEEP within 30 days of its completion including all supporting documentation pursuant to RSCA 22a-449(c)-104(b) & 105(d) or other permit requirement.

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